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C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 000718

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SUBJECT: ZELAYA ANNOUNCES AT PETROFOOD SUMMIT HE IS JOINING
ALBA

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Classified By: Charge Andrea Brouillette-Rodriguez, E.O. 12958 Reason 1
.4(d)

¶1. (SBU) Summary: At the conclusion of a meeting of agriculture ministers from countries participating in Venezuela's Petrocaribe scheme here July 30, President Manuel Zelaya said his government had "practically" made the "political decision" to join Hugo Chavez's Bolivarian Alternative for the Americas (ALBA) economic grouping. Zelaya's advisers, including former Foreign Minister and police assailant Milton Jimenez, hit the airwaves first thing July 31 to defend the decision and extoll the democratic and poverty-reduction credentials of Chavez's Venezuelan Government. The ministerial meeting established a committee to administer an agricultural development fund to be established with 50 U.S. cents from every barrel of petroleum Venezuela exports at a price above USD 100 a barrel) roughly USD 400-450 million a year at current prices and production levels. End Summary.

Honduras Hosts Oil for Food Ministerial

¶2. (U) The so-called "Petrofood" ministerial grew out of an offer Venezuelan President Hugo Chavez made at the Petrocaribe Summit in Maracaibo earlier in the month to establish a fund to support food security and "food and economic independence" in the region. According to GOH organizers, the event drew representatives from 18 countries participating in Venezuela's Petrocaribe initiative, which provides oil on concessional credit terms to participating countries. The GOH claimed at least 14 countries were represented at the ministerial level. However, several ministers were said to be having difficulty making flight connections or transferring from San Pedro Sula (175 miles away) by road, probably because they had made their reservations before President Zelaya allowed normal international flights to resume at Tegucigalpa's Toncontin Airport (and because flights are still less frequent than before Zelaya restricted operations there following a May 30 accident). At an opening cocktail reception July 29, EconCouns was able to confirm the presence only of the Minister of Agriculture from Costa Rica, which has not yet formally joined Petrocaribe.

¶3. (U) Zelaya delivered welcoming remarks to the ministers July 30 standing in front of a poster of himself, in his trademark cowboy hat, shaking hands with Hugo Chavez in front of statues of Venezuelan independence hero Simon Bolivar and Honduran national hero Francisco Morazan, with the slogan: "Our countries must achieve food and economic independence." (Comment: Zelaya had suggested the week before renaming his country the "Morazanic" Republic of Honduras, which some sarcastic wags commented was off by only one syllable. End Comment) In his speech, Zelaya attributed the current food crisis afflicting the region to free trade in general and U.S. policies in particular. He claimed liberalization of agricultural markets in the region in recent decades had left countries overly dependent on imports of subsidized U.S. food, making them vulnerable to external price shocks such as those experienced over the past year. The solution, he said, was for the region to become self-sufficient in food.

¶4. (SBU) Looking straight at his own Agricultural Minister, Hector Hernandez, Zelaya commanded the group of ministers to develop a plan that would reduce food imports and eliminate farming "oligopolies and monopolies." He blasted foreign farm subsidies, stating that European countries and "especially the United States" were putting poor farmers in Honduras out of business with their inexpensive products. On the dais with Zelaya were Hernandez, Foreign Minister Edmundo Orellana, Venezuelan Agriculture Minister Elias Jaua and Rafael Alegria, a representative for Central American small farmers known as a left-wing activist against U.S. agriculture interests. A large delegation that accompanied Alegria and was seated at the front of the room cheered

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loudly at each of Zelaya's rants against U.S. trade and agricultural policies.

¶5. (U) In the same speech in which he attacked U.S. farm subsidies for destroying Latin American agriculture, Zelaya said the current crisis could not be solved unless the developed countries, in particular the United States, invested their "economic surplus" in "subsidies to stimulate the agricultural sector."

Outcome of the Ministerial

¶6. (SBU) Following Zelaya's anti-free trade screed, the assembled regional agriculture officials spent the day in technical meetings to determine how to utilize the Venezuelan petroleum largesse. Participants who spoke to EconCouns the night before said they did not expect any concrete initiatives to emerge; only procedural steps such as setting up an experts committee to review proposals for project funding. Post will forward any documents containing formal decisions to Washington by e-mail.

Zelaya Drops Bomb at Closing Ceremony

¶7. (SBU) Zelaya's motorcade rolled up to the convention center after 6 p.m. for a scheduled 4:15 closing session. He strolled past Honduran journalists assembled for a scheduled 6:15 press conference, entered the meeting room and announced that his government had "practically" made the "political" decision to formally join ALBA.

Comment

18. (C) Given the actions and comments of Zelaya and his team over the past several months, his formal announcement that he has decided to align with Hugo Chavez's ALBA initiative was a foregone conclusion. Although he hedged his announcement somewhat by using the words "practically" and "political," the statements of his team since the announcement strongly indicate that the decision to join ALBA has already been made. In fact, Zelaya's comments about U.S. farm subsidies tracked very closely with comments Trade and Industry Minister Fredis Cerrato made to EconCouns July 24 when EconCouns pressed him on implementing a tariff-rate quota for U.S. chicken legs as required by CAFTA. On a morning TV talk show July 31, Zelaya Legal Adviser Milton Jimenez and Congresswoman Doris Gutierrez of the leftist, anti-American Democratic Unification Party were already spinning arguments that Zelaya could join ALBA without seeking Congressional approval. Several members of Congress, including from Zelaya's own Liberal Party, and most of the private sector have been strongly critical over the past two weeks of Zelaya's steps ever closer toward formal ALBA membership. But press articles the day following Zelaya's announcement indicate that much of the private sector is already being coopted by the promise of free-flowing Venezuelan petrodollars.

19. (C) Embassy is endeavoring to remain out of the public fray on this. But we will stress on an if-asked basis that: 1) Honduras is free to join any economic or political grouping it chooses, but 2) we expect the GOH to honor its obligations under CAFTA, which, unlike ALBA, has a formal legal text, has been approved by both our legislatures and contains clear rules, rights, obligations and procedures for resolving disputes. End Comment.
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